

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00 COME-00

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TO SECSTATE WASHDC 0948

INFO AMEMBASSY BONN

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AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

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C O N F I D E N T I A L SECTION 01 OF 02 LONDON 06973

E.O. 11652: XGDS-1

TAGS: EGEN, EEC, UK

SUBJECT: PROSPECTS FOR EC RENEGOTIATION

BEGIN SUMMARY: THE WILSON GOVERNMENT'S APPROACH TO EC RENEGOTIATION HAS SO FAR BEEN ENCOURAGING TO THOSE WHO WOULD LIKE BRITAIN TO STAY IN THE COMMUNITY' THE UK IS TRYING TO GET WHAT IT WANTS WITHOUT CHALLENGING BASIC COMMUNITY POLICIES OR DEMANDING CHANGES IN THE EC TREATIES. ON THE MAIN ISSUE, THE BUDGET, THE BRITISH ARE TRYING TO DRESS UP THEIR CASE WITH AS MUCH COMMUNITY SPIRIT AS POSSIBLE. THE MORE THE GOVERNMENT EXAMINES THE OTHER ISSUES, LIKE THE CAP OR COMMONWEALTH

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TRADE, THE LESS SERIOUS THEY SEEM TO BECOME' THE

FURTHER AHEAD ONE LOOKS, HOWEVER, THE LESS CLEAR THE PROSPECTS FOR RENEGOTIATION BECOME. THE GOVERNMENT STILL HAS TO OVERCOME A NUMBER OF DIFFICULTIES LARGELY OF ITS OWN MAKING' BY ADOPTING A SKEPTICAL, NOT TO SAY DERISIVE ATTITUDE TOWARD SOME OF THE MOST CHERISHED TENETS OF EUROPEAN INTEGRATIONISTS, THE UK HAS RAISED DOUBTS IN THE MINDS OF CONTINENTAL COLLEAGUES ABOUT THE WISDOM OF EXTENDING THEMSELVES TO KEEP A RELUCTANT BRITAIN IN. AND BY PROMISING TO SUBMIT THE WHOLE QUESTION TO THE BRITISH ELECTORATE, IT MAY FIND ITSELF EVENTUALLY TAKEN OUT OF EUROPE IN SPITE OF ITS OWN PREFERENCE FOR STAYING IN' END SUMMARY

1' SO FAR, THE WILSON GOVERNMENT HAS TAKEN A MODERATE APPROACH TO THE RENEGOTIATION OF THE TERMS OF BRITISH MEMBERSHIP IN THE EUROPEAN COMMUNITY' ITS NEGOTIATING STRATEGY IS BASED ON THREE PRINCIPLES, WHICH HAVE BEEN APPROVED BY THE CABINET. THESE ARE: A) THE UK IS NEGOTIATING TO STAY IN THE COMMUNITY; B) IT WILL TRY TO GET WHAT IT WANTS WITHOUT ASKING FOR CHANGES IN THE EC TREATIES, ALTHOUGH IT RESERVES THE RIGHT TO PROPOSE TREATY CHANGES IF IT TURNS OUT THAT "ESSENTIAL INTERESTS" CANNOT BE MET WITHOUT THEM; C) IT WILL TRY TO OBTAIN AS MANY OF ITS OBJECTIVES AS POSSIBLE IN THE CONTEXT OF ONGOING COMMUNITY BUSINESS, INSTEAD OF ASKING FOR SPECIAL NEGOTIATIONS.

2. THE OFFICIALS IN THE FCO WORKING ON RENEGOTIATION, WHO ARE GENERALLY IN FAVOR OF BRITAIN'S CONTINUED MEMBERSHIP, ARE RELIEVED THAT THE CABINET ADOPTED THIS KIND OF UNPROVOCATIVE STRATEGY. THERE IS A DELICATE BALANCE IN THE CABINET OF PRO- AND ANTI-MARKETEERS, WITH A NUMBER OF "AGNOSTICS" IN BETWEEN. SOME OBSERVERS CLAIM THAT THERE HAS BEEN A SHIFT OF OPINION TOWARD THE PRO-MARKET SIDE SINCE THE GOVERNMENT CAME TO POWER, BUT SUCH A JUDGMENT MAY BE PREMATURE. THE ANTI-MARKETEERS IN THE CABINET MAY HAVE MERELY MISSED SOME OPPORTUNITIES TO ASSERT THEIR VIEWS. THEY MAY ALSO BE WAITING FOR A MORE OPPORTUNE MOMENT TO COME OUT OF THEIR CORNER.
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3. THE MAIN ISSUES IN RENEGOTIATION, AS FAR AS THE UK IS CONCERNED, ARE: A) THE EC BUDGET; B) THE COMMON AGRICULTURAL POLICY; C) TRADE WITH COMMON-WEALTH COUNTRIES AND AID FOR LDCS; AND D) THE EXTENT TO WHICH EC RULES INTERFERE WITH BRITAIN'S POWERS OVER ITS OWN ECONOMY' THE MOST IMPORTANT OF THESE IS THE EC BUDGET. IN ORDER FOR RENEGOTIATION TO

SUCCEED, THE UK HAS TO OBTAIN SOME ARRANGEMENT THAT ENSURES THAT THE BURDEN OF THE EC BUDGET IS SHARED MORE EVENLY THAN UNDER PRESENT RULES. SO FAR, THE BRITISH HAVE TRIED TO PRESENT THEIR CASE WITH AS MUCH COMMUNITY SPIRIT AS POSSIBLE, AVOIDING CHALLENGES TO THE BASIC ELEMENTS OF THE EC FINANCING SYSTEM. THE RECEPTION BY THE OTHER MEMBER STATES HAS NOT BEEN ENTHUSIASTIC. THIS IS ONE ISSUE -- PERHAPS THE ONLY ONE -- THAT WILL REQUIRE A SPECIAL NEGOTIATION, AND CANNOT BE HANDLED IN THE CONTEXT OF ONGOING COMMUNITY BUSINESS.

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4. THE MORE THE GOVERNMENT EXAMINES THE ISSUES OF COMMONWEALTH TRADE AND THE CAP, THE LESS SERIOUS THEY SEEM TO BECOME. THE UK WILL TRY TO DEAL WITH TRADE AND AID PROBLEMS IN THE CONTEXT OF THE COMMUNITY'S NEGOTIATIONS WITH THE ACP COUNTRIES, THE PREPARATIONS FOR THE MTN, IMPROVEMENTS IN GSP, AND CONSIDERATION OF A MORE GLOBAL EC POLICY TOWARD DEVELOPMENT AID. THE COMMUNITY IS ALREADY CONSIDERING CHANGES IN THE CAP AND THE UK WILL CONTINUE TO PRESS FOR LIMITATIONS ON PRICE INCREASES, THE REDUCTION OF SURPLUSES AND THE CONFIDENTIAL

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REMOVAL OF TRADE BARRIERS. AS FOR THE LAST ISSUE -- LIMITATIONS ON BRITAIN'S ABILITY TO MANAGE ITS OWN ECONOMY -- OFFICIALS AT THE FCO DO NOT EXPECT IT TO ASSUME MUCH IMPORTANCE IN RENEGOTIATION' IT HAS BEEN RAISED MAINLY IN CONNECTION WITH BRITAIN'S REGIONAL DEVELOPMENT POLICY, WHICH IS NOT RESTRICTED BY EXISTING COMMUNITY RULES.

5. ALTHOUGH THE GOVERNMENT'S APPROACH TO RENEGOTIATION HAS SO FAR BEEN ENCOURAGING TO THOSE WHO WOULD LIKE TO SEE BRITAIN STAY IN THE COMMUNITY, THE PROCESS HAS JUST BEGUN, AND THERE ARE MANY PITFALLS AHEAD. THE FIRST WILL BE THE REACTION OF THE OTHER MEMBER STATES. WHILE THEY MAY IN THE END BE PREPARED TO MAKE SOME CONCESSIONS TO KEEP BRITAIN IN THE COMMUNITY, THEY MAY NOT DO SO UNLESS BRITAIN IS WILLING TO REAFFIRM IN SOME WAY ITS COMMITMENT TO THE COMMUNITY'S BASIC AIMS OF ECONOMIC AND POLITICAL INTEGRATION. THE LABOUR GOVERNMENT MAY FIND IT EXTREMELY DIFFICULT TO MAKE AN AFFIRMATION OF THIS KIND.

6' THE SECOND PITFALL WILL BE THE CABINET DECISION ON HOW TO HANDLE THE RESULTS OF THE RENEGOTIATION. IT IS GENERALLY EXPECTED NOW THAT THEY WILL HAVE TO BE SUBMITTED TO A POPULAR REFERENDUM, BUT THERE IS LIKELY TO BE SERIOUS CONTROVERSY ON TWO POINTS: 1) THE WORDING OF THE REFERENDUM, AND 2) WHAT RECOMMENDATION, IF ANY, THE LABOUR GOVERNMENT SHOULD MAKE TO THE VOTERS. IF WILSON AND CALLAGHAN ARE SATISFIED WITH THE OUTCOME OF THE RENEGOTIATION, AND IF THEY DECIDE TO RECOMMEND A FAVORABLE VOTE IN THE REFERENDUM, THEY WILL BE FACED WITH AT LEAST THREE ALMOST CERTAIN RESIGNATIONS FROM THE CABINET (FOOT, BENN, AND SHORE) AND WIDESPREAD DISAFFECTION AMONG PARTY ACTIVISTS. WHETHER THEY WOULD BE PREPARED TO RISK SUCH A SPLIT, AFTER STRIVING FOR

SO LONG TO AVOID IT, WOULD DEPEND IN LARGE MEASURE ON WHETHER OR NOT THEY HAD A GENERAL ELECTION SAFELY BEHIND THEM, AND ON HOW SECURE THEIR LEADERSHIP POSITION MIGHT BE IN THE PARTY.

7. THE FINAL PITFALL, IN THIS SCENARIO OF UNCERTAINTIES
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, WOULD BE THE REFERENDUM ITSELF. IF THE GOVERNMENT RECOMMENDED A NEGATIVE VOTE, THE REFERENDUM WOULD ALMOST CERTAINLY FAIL. IF IT FAILED TO TAKE A STAND ONE WAY OR THE OTHER, THE REFERENDUM WOULD PROBABLY FAIL UNLESS THERE IS SOME CHANGE IN PUBLIC OPINION ON THE EC ISSUE. IF THE GOVERNMENT RECOMMENDED A FAVORABLE VOTE, IT WOULD COMMAND THE SUPPORT OF THE LEADERSHIP OF THE OPPOSITION, BUSINESS REPRESENTATIVES, AND MOST OF THE MEDIA, BUT IT WOULD STILL FACE THE FORMIDABLE TASK OF CONVINCING THE BRITISH ELECTORATE. THE LATEST GALLUP POLL, TAKEN IN APRIL, FOUND 51 PER CENT OF THOSE QUESTIONED THOUGHT IT HAD BEEN A MISTAKE FOR BRITAIN TO JOIN THE EC, WHILE ONLY 33 PER CENT THOUGHT IT HAD BEEN RIGHT TO DO SO.

8. THE FURTHER AHEAD ONE LOOKS, THE MURKIER IS THE CRYSTAL BALL, BUT BY ANY STANDARDS, THE RENEGOTIATION ROAD IS A HARD ONE AND THE OUTCOME IMPOSSIBLE TO PREDICT.

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